

EXHIBIT "12"

1805 Providence Avenue
Niskayuna, New York 12309
(518) - 374 - 2212 Ext# 3535
fax (518) - 381 - 9068

**Highgate LTC
Management, LLC**

Fax

To: Joseph Barber

From: Gerald Vilaire

Fax: 866-717-6539

Pages: 24 including cover

Phone:

Date: 11/10/2008

Re: BBC

CC:

Urgent

For Review

Please Comment

Please Reply

Please

Recycle

• Comments:

Joseph,

Please wire on Wednesday November 12 2008 \$307,193.03 to Highgate LTC Management, LLC 4001080396@ Citizens Bank.

Please call or e-mail me with any questions or to confirm that all is o.k. for processing.

Thank you.

Gerald.

Highgate LTC Management, LLC

**Borrowing Base Certificate
as of 11/12/08**

I, Diane Shea, hereby certify that I am Director of Finance of Highgate LTC Management, LLC ("Borrower"), and am authorized to make the certifications hereunder in accordance with the Loan and Security Agreement dated May 25, 2005 (the "Loan Agreement") between Borrower and General Electric Capital Corporation ("Lender").

(a) This Certificate is given to Lender in order to induce Lender on the date hereof to make an advance to Borrower in the principal amount of \$307,193.03 pursuant to the terms and conditions of the Loan Agreement. The following information is provided in connection with this advance request:

I. Computation of Collateral

Medicaid Receivables

	# of Days	Rate	
Billed Accounts (per aging dated 11/12/08 days)	3,268	\$ 182.05	
Plus: Adjustments (e.g. billing estimate for 3,268 Days)			1 \$ 1,757,573.35
Less: Ineligible accounts over 150 days			2 \$ 627,019.40
Credit Balances/Refunds over 150 days			3 \$ 212,307.19
Eligible Accounts			4 \$ -
Liquidity Factor:			5 \$ 2,172,885.56
Total Eligible Accounts (line 5 times line 6)			6 95%
			7 \$ 2,064,241.28

Medicaid Receivables (PENDING)

	# of Days	Rate	
Billed Accounts (per aging dated 11/12/08 days)	251	\$ 192.05	1a \$ 456,900.65
Plus: Adjustments (e.g. billing estimate for 251 days)			2a \$ 48,204.55
Less: Ineligible accounts over 150 days			3a \$ 151,898.05
Credit Balances/Refunds over 150 days			4a \$ -
Eligible Accounts			5a \$ 353,207.15
Liquidity Factor:			6a 88%
Total Eligible Accounts (line 5 times line 6)			7a \$ 310,822.29

Medicare Receivables

	# of Days	Rate	
Billed Accounts (per aging dated 11/12/08 days)	759	\$ 287.24	8 \$ 407,510.56
Plus: Adjustments (e.g. billing estimate for 759 days)			9 \$ 218,015.16
Less: Ineligible accounts over 150 days			10 \$ 25,574.10
Credit Balances/Refunds over 150 days			11 \$ -
Eligible Accounts			12 \$ 599,951.62
Liquidity Factor:			13 95%
Total Eligible Accounts (line 12 times line 13)			14 \$ 569,954.04

Commercial Receivables

	# of Days	Rate	
Billed Accounts (per aging dated 11/12/08 days)	236	\$ 432.55	15 \$ 602,702.81
Plus: Adjustments (e.g. billing estimate for 236 days)			16 \$ 102,081.80
Less: Ineligible accounts over 150 days			17 \$ 68,431.56
Cross Aging (greater than 50% of Account over 150 days)			18 \$ -
Credit Balances/Refunds over 150 days			19 \$ -
Eligible Accounts			20 \$ 638,353.05
Liquidity Factor:			21 95%
Total Eligible Accounts (line 20 times line 21)			22 \$ 606,435.40

II. Computation of Availability

Total Eligible Accounts	23 \$ 3,551,453.01
Less: Total Gross Collections since last aging date	24 \$ -
Less: Unapplied cash	25 \$ -
Less: Credit Balances/Refunds over 150 days	26 \$ 105,673.11
Net Eligible Accounts	27 \$ 3,445,779.90
Advance Rate	28 85%
Adjustments: Reserve for Cash Receipts Assessment	28(a) \$ -
Adjustments: Reserve for IRS	28(b) \$ -
Total Borrowing Availability (line 27 times line 28)	29 \$ 2,928,912.92
Commitment Amount	29(a) \$ 3,475,000.00

III. Computation of Loan

Loan Balance on last Borrowing Base Certificate dated 11/10/08	30 \$ 2,653,068.76
Less: Gross A/R Collections since last Borrowing Base Certificate	31 \$ 31,348.86
Adjustments: Increase or (Decrease)	32 \$ -
Adjusted Loan Balance	33 \$ 2,621,719.89
Availability before Loan Request (line 29 or 29a less line 33)	34 \$ 307,193.03
The undersigned requests a loan in the amount of:	35 \$ 307,193.03
New loan balance (line 32 plus line 34)	36 \$ 2,928,912.92
Remaining availability (line 33 less line 34)	37 \$ -

(b) As of the date hereof, Borrower hereby acknowledges that the Loan is currently in default and that the Lender has no further obligation to fund under the Loan Agreement.

(c) Intentionally deleted.

(d) As of the date hereof, the representations and warranties contained in the Loan Agreement are true in every respect, with the same effect as though such representations and warranties had been made on the date hereof.

(e) After the making of the advance requested by this Certificate, the total aggregate principal amount outstanding under the Loan Agreement will be approximately \$2,928,912.92.

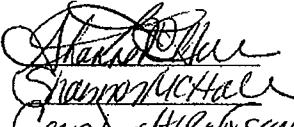
(f) Borrower's most recent Accounts Receivable Aging Report, date as of 11/10/08 including all necessary and appropriate documentation required to interpret the Report and to complete this Borrowing Base Certificate, is attached hereto and made a part hereof. All Accounts included on such reports have been properly billed and collections have been properly posted to the respective Accounts to reduce Eligible Accounts accordingly. All proceeds of Accounts that have not been posted to the Accounts reported herein (including unbilled and/or estimated Accounts) have been disclosed to Lender on line 23 herein.

(g) As of the date hereof, Borrower has paid all State and Federal payroll withholding taxes immediately due and payable through 11/07/08.

(h) As of the date hereof, Borrower certifies that its census is as follows:

	Cortland	Troy	Hilltop	Rosewood	Total
Total Beds in service	200	120	112	80	512
Total Beds available	174	120	112	80	466
Total Beds occupied	126	97	82	78	383
Occupancy %	72.4%	80.8%	73.2%	97.5%	78.8%
Total occupied beds, prior BBC	123	98	83	77	381
Occupancy % prior BBC	70.7%	81.7%	74.1%	96.3%	78.4%
Change in occupancy rates (beds)	3	-1	-1	1	2
Change in occupancy rates (%)	1.7%	-0.8%	-0.9%	1.3%	0.4%

(i) Borrower acknowledges that the Event(s) of Default identified in Lender's February 17, 2006, March 9, 2006 and October 4, 2006 letters still exist and remain uncured, and that, by making an advance pursuant to this Borrowing Base Certificate, Lender does not waive these or any other existing Event(s) of Default, and reserves all of its rights and remedies under the Loan Agreement, or otherwise. Borrower acknowledges that after this advance, \$2,928,912.92 plus costs and fees is justly due and owing to Lender without setoff, defense or counterclaim. By accepting an advance from Lender, Borrower agrees to waive and release Lender from all claims, demands, causes of action (whether known or unknown) based in whole or in part on acts or omissions of Lender relating to the Loan Agreement.

By: 
 Name: Steven McCall
 Title: CEO/Dir H/R & Financials -

Brenda Tanner

From: Fredenburgh, Amy L (GE Comm Fin) [amy.fredenburgh@ge.com]
Sent: Monday, August 03, 2009 2:15 PM
To: Brenda Tanner
Cc: Gerald Vilaire
Subject: BBC for 08-03-2009.xls
Attachments: 08-03-2009.xls

Brenda,

Please include the "Total Capitalized" amount stated below on line 32 of the attached Excel file. You will notice that line 35 will automatically update itself to \$59,885.42. This is the amount that is available to borrow today. Once complete, please print out the BBC, have it signed by an office of the company, and fax it to me at 1 866 798 5142.

I'm going to step out to lunch in a few moments, but if you need additional assistance please call me and I'll get back to you.

Highgate RLOC Loan Ending in 6088 - Total Capitalized \$15,666.44

\$12,423.64 - Interest
\$2,883.16 - Default
\$69.69 - Unused Line Fee
\$289.95 - Management Fee

Thanks,
Amy

Amy Fredenburgh
Portfolio Analyst
GE Capital, Healthcare Financial Services
T +1 312 441 7869
F +1 866 798 5142
E amy.fredenburgh@ge.com

500 W. Monroe, 13th Floor
Chicago, IL 60661

GE imagination at work

From: Gerald Vilaire [mailto:gerald.vilaire@northwoodshealth.net]
Sent: Friday, July 31, 2009 11:25 AM
To: Arrowsmith, Richard (GE Comm Fin); Fredenburgh, Amy L (GE Comm Fin)
Cc: Nnzs@aol.com; Jeff Hoffman; Ari Platschek; Shannon McHale
Subject: 08-03-2009.xls

<<08-03-2009.xls>>

1805 Providence Avenue
Niskayuna, New York 12309
(518) - 374 - 2212 Ext# 3535
fax (518) - 381 - 9068

Highgate LTC Management, LLC

Fax

Fax: 866-717-6539 **Pages:** 24 including cover

Phone: _____ **Date:** 8/3/09

Re: BBC **CC:**

Urgent **For Review** **Please Comment** **Please Reply** **Please**
Recycle

● **Comments:**

Amy,

BBC revised for deposit for 8/3/09

Please wire on Monday August 3, 2009 \$59,885.42 to Highgate LTC Management, LLC 4001080396@ Citizens Bank.

Please call or e-mail me with any questions or to confirm that all is o.k. for processing.

Thank you.

Gerald – B

Highgate LTC Management, LLC

**Borrowing Base Certificate
as of 08/03/09**

I, Gerald Vilaire, hereby certify that I am Accountant of Highgate LTC Management, LLC ("Borrower"), and am authorized to make the certifications hereunder in accordance with the Loan and Security Agreement dated May 25, 2005 (the "Loan Agreement") between Borrower and General Electric Capital Corporation ("Lender").

(a.) This Certificate is given to Lender in order to induce Lender on the date hereof to make an advance to Borrower in the principal amount of \$59,885.42 pursuant to the terms and conditions of the Loan Agreement. The following information is provided in connection with this advance request:

I. Computation of Collateral

Medicaid Receivables

	# of Days	Rate	
Billed Accounts (per aging dated 08/03/09 days)			1 \$ 2,766,208.72
Plus: Adjustments (e.g. billing estimate for 2,341 Days)	2,341	\$ 192.05	2 \$ 449,689.05
Less: Ineligible accounts over 150 days			3 \$ 273,425.59
Other Reserves			4 \$ -
Eligible Accounts			5 \$ 2,942,372.18
Liquidity Factor:			6 95%
Total Eligible Accounts (line 5 times line 6)			7 \$ 2,795,253.57

Medicaid Receivables (PENDING)

	# of Days	Rate	
Billed Accounts (per aging dated 08/03/09 days)			1a \$ 498,922.69
Plus: Adjustments (e.g. billing estimate for 481 days)	481	\$ 192.05	2a \$ 88,535.05
Less: Ineligible accounts over 150 days			3a \$ 168,042.85
Other Reserves			4a \$ -
Eligible Accounts			5a \$ 419,414.89
Liquidity Factor:			6a 88%
Total Eligible Accounts (line 5 times line 6)			7a \$ 369,085.10

Medicare Receivables

	# of Days	Rate	
Billed Accounts (per aging dated 08/03/09 days)			8 \$ 170,815.85
Plus: Adjustments (e.g. billing estimate for 1,102 days)	1,102	\$ 287.24	9 \$ 316,538.46
Less: Ineligible accounts over 150 days			10 \$ 80,873.74
Less: Ineligible AR on aging due to Troy DPNA			\$ -
Less: Ineligible Unbilled AR due to Troy DPNA			\$ -
Other Reserves			11 \$ -
Eligible Accounts			12 \$ 406,480.39
Liquidity Factor:			13 95%
Total Eligible Accounts (line 12 times line 13)			14 \$ 386,156.37

Commercial Receivables

	# of Days	Rate	
Billed Accounts (per aging dated 08/03/09 days)			15 \$ 841,668.17
Plus: Adjustments (e.g. billing estimate for 1,032 days)	1,032	\$ 432.55	16 \$ 446,391.60
Less: Ineligible accounts over 150 days			17 \$ 125,331.26
Cross Aging (greater than 50% of Account over 150 days)			18 \$ -
Other Reserves			19 \$ -
Eligible Accounts			20 \$ 1,162,726.51
Liquidity Factor:			21 95%
Total Eligible Accounts (line 20 times line 21)			22 \$ 1,104,590.18

II. Computation of Availability

Total Eligible Accounts	23 \$ 4,655,085.23
Less: Total Gross Collections since last aging date	24 \$ -
Less: Unapplied cash	25 \$ -
Less:	26 \$ -
Net Eligible Accounts	27 \$ 4,655,085.23
Advance Rate	28 85%
Adjustments: Reserve for Cash Receipts Assessment	28(a) \$ -
Adjustments: Reserve for IRS	28(b) \$ -
Adjustment Medicare Payment received during the DNPA	28(c) \$ -
Adjustment Outstanding CMP	28(d) \$ -
Less: Credit Balances/Refunds over 150 days	28(c) \$ 128,804.45
Total Borrowing Availability (line 27 times line 28)	28 \$ 3,828,217.99
Commitment Amount	29(a) \$ 3,475,000.00

III. Computation of Loan

Loan Balance on last Borrowing Base Certificate dated 07/31/09	30 \$ 3,475,000.00
Less: Gross A/R Collections since last Borrowing Base Certificate	31 \$ 75,551.86
Adjustments: Increase or (Decrease)	32 \$ 15,088.44
Adjusted Loan Balance	33 \$ 3,415,114.58
Availability before Loan Request (line 29 or 29a less line 33)	34 \$ 59,885.42
The undersigned requests a loan in the amount of:	35 \$ 59,885.42
New loan balance (line 32 plus line 34)	36 \$ 3,475,000.00
Remaining availability (line 33 less line 34)	37 \$ -

(b) As of the date hereof, Borrower hereby acknowledges that the Loan is currently in default and that the Lender has no further obligation to fund under the Loan Agreement.

(c) Intentionally deleted.

(d) As of the date hereof, the representations and warranties contained in the Loan Agreement are true in every respect, with the same effect as though such representations and warranties had been made on the date hereof.

(e) After the making of the advance requested by this Certificate, the total aggregate principal amount outstanding under the Loan Agreement will be approximately \$3,475,000.00

(f) Borrower's most recent Accounts Receivable Aging Report, date as of 07/31/09 including all necessary and appropriate documentation required to interpret the Report and to complete this Borrowing Base Certificate, is attached hereto and made a part hereof. All Accounts included on such reports have been properly billed and collections have been properly posted to the respective Accounts to reduce Eligible Accounts accordingly. All proceeds of Accounts that have not been posted to the Accounts reported herein (including unbilled and/or estimated Accounts) have been disclosed to Lender on line 23 herein.

(g) As of the date hereof, Borrower has paid all State and Federal payroll withholding taxes immediately due and payable through 07/31/09.

(h) As of the date hereof, Borrower certifies that its census is as follows:

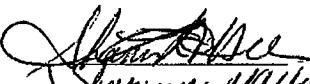
	Cortland	Troy	Hilltop	Rosewood	Total
Total Beds in service	200	120	112	80	512
Total Beds available	200	120	112	80	512
Total Beds occupied	173	91	97	78	439
Occupancy %	86.5%	75.8%	88.6%	87.5%	85.7%
Total occupied beds, prior BBC	172	95	100	77	444
Occupancy % prior BBC	86.0%	79.2%	89.3%	96.3%	86.7%
Change in occupancy rates (beds)	1	-4	-3	1	-5
Change in occupancy rates (%)	0.5%	-3.3%	-2.7%	1.3%	-1.4%

(i) Borrower acknowledges that the Event(s) of Default identified in Lender's February 17, 2006, March 9, 2006 and October 4, 2006 letters still exist and remain uncured, and that, by making an advance pursuant to this Borrowing Base Certificate, Lender does not waive these or any other existing Event(s) of Default, and reserves all of its rights and remedies under the Loan Agreement, or otherwise. Borrower acknowledges that after this advance, \$3,475,000.00 plus costs and fees is justly due and owing to Lender without setoff, defense or counterclaim. By accepting an advance from Lender, Borrower agrees to waive and release Lender from all claims, demands, causes of action (whether known or unknown) based in whole or in part on acts or omissions of Lender relating to the Loan Agreement.

By:

Name:

Title:


 Jennifer H. Miller
 Capital Hill Financials

1805 Providence Avenue
Niskayuna, New York 12309
(518) - 374 - 2212 Ext# 3209
fax (518) - 381 - 9068

Highgate LTC Management, LLC

Fax

Urgent **For Review** **Please Comment** **Please Reply** **Please**

Recycle

- **Comments:**

Geldon,

Please wire on Thursday August 26 2010 \$285,347.32 to Highgate LTC Management, LLC 4001080396@ Citizens Bank.

Please call or e-mail me with any questions or to confirm that all is o.k. for processing.

Thank you.

Gerald. - Brenda

Highgate LTC Management, LLC

Borrowing Base Certificate as of 8/26/10

I, Gerald Vilaira, hereby certify that I am Accountant of Highgate LTC Management, LLC ("Borrower"), and am authorized to make the certifications hereunder in accordance with the Loan and Security Agreement dated May 25, 2005 (the "Loan Agreement") between Borrower and General Electric Capital Corporation ("Lender").

(a) This Certificate is given to Lender in order to induce Lender on the date hereof to make an advance to Borrower in the principal amount of \$285,347.32 pursuant to the terms and conditions of the Loan Agreement. The following information is provided in connection with this advance request:

I. Computation of Collateral

Medicaid Receivables

Billed Accounts (per aging dated 8/26/10 days)
Plus: Adjustments (e.g. billing estimate for 1,691 Days)
Less: Ineligible accounts over 150 days
Other Reserves
Eligible Accounts
Liquidity Factor:
Total Eligible Accounts (line 5 times line 6)

	# of Days	Rate
	1,691	\$ 192.05

1	\$ 4,514,703.11
2	\$ 324,756.65
3	\$ 1,312,117.44
4	\$ -
5	\$ 3,527,342.22
6	88%
7	\$ 3,104,061.15

Medicaid Receivables (PENDING)

Billed Accounts (per aging dated 8/26/10 days)
Plus: Adjustments (e.g. billing estimate for 0.00 days)
Less: Ineligible accounts over 150 days
Other Reserves
Eligible Accounts
Liquidity Factor:
Total Eligible Accounts (line 5 times line 6)

	# of Days	Rate
	0.00	\$ 192.05

18	\$ -
2a	\$ -
3a	\$ -
4a	\$ -
5a	\$ -
6a	88%
7a	\$ -

Medicare Receivables

Billed Accounts (per aging dated 8/26/10 days)
Plus: Adjustments (e.g. billing estimate for 1,013 days)
Less: Ineligible accounts over 150 days
Less: Ineligible AR on aging due to Troy DPNA
Less: Ineligible Unbilled AR due to Troy DPNA
Other Reserves
Eligible Accounts
Liquidity Factor:
Total Eligible Accounts (line 12 times line 13)

	# of Days	Rate
	1,013	\$ 287.24

8	\$ 271,420.19
9	\$ 290,974.12
10	\$ 167,659.80
	\$ -
	\$ -
11	\$ -
12	\$ 394,734.71
13	88%
14	\$ 347,366.54

Commercial Receivables

Billed Accounts (per aging dated 8/26/10 days)
Plus: Adjustments (e.g. billing estimate for 882 days)
Less: Ineligible accounts over 150 days
Cross Aging (greater than 50% of Account over 150 days)
Other Reserves
Eligible Accounts
Liquidity Factor:
Total Eligible Accounts (line 20 times line 21)

	# of Days	Rate
	882	\$ 237.00

15	\$ 1,876,444.98
16	\$ 209,034.00
17	\$ 598,140.74
18	\$ -
19	\$ -
20	\$ 1,287,338.24
21	88%
22	\$ 1,132,857.65

II. Computation of Availability

Total Eligible Accounts
Less: Total Gross Collections since last aging date
Less: Unapplied cash
Less:
Net Eligible Accounts
Advance Rate
Adjustments: Reserve for Cash Receipts Assessment
Adjustments: Reserve for IRS
Adjustment Medicare Payment received during the DPNA
Adjustment Outstanding CMP
Less: Credit Balances/Refunds over 160 days
Less: Medicaid Pending
Less: AP Arrearages
Less: Unbilled Medicaid
Total Borrowing Availability (line 27 times line 28)

	# of Days	Rate
	882	\$ 237.00

23	\$ 4,584,285.35
24	\$ -
25	\$ -
26	\$ -
27	\$ 4,584,285.35
28	85%
28(a)	\$ -
28(b)	\$ -
28(c)	\$ -
28(d)	\$ 196,215.00
28(e)	\$ 176,738.94
28(f)	\$ 40,000.00
28(g)	\$ -
28(h)	\$ 557,254.00
29	\$ 2,926,434.61
29(a)	\$ 3,475,000.00
29(b)	\$ 25,000.00
29(c)	\$ 2,901,434.61

III. Computation of Loan

Loan Balance on last Borrowing Base Certificate dated 8/24/10
Less: Gross A/R Collections since last Borrowing Base Certificate
Adjustments: Increase or (Decrease)
Adjusted Loan Balance
Availability before Loan Request (line 29 or 29a less line 33)
The undersigned requests a loan in the amount of:
New loan balance (line 32 plus line 34)
Remaining availability (line 33 less line 34)

30	\$ 3,408,203.81
31	\$ 794,118.52
32	\$ 1,000.00
33	\$ 2,616,087.29
34	\$ 285,347.32
35	\$ 285,347.32
36	\$ 2,901,434.61
37	\$ -

(b) As of the date hereof, Borrower hereby acknowledges that the Loan is currently in default and that the Lender has no further obligation to fund under the Loan Agreement.

(c) Intentionally deleted.

(d) As of the date hereof, the representations and warranties contained in the Loan Agreement are true in every respect, with the same effect as though such representations and warranties had been made on the date hereof.

(e) After the making of the advance requested by this Certificate, the total aggregate principal amount outstanding under the Loan Agreement will be approximately \$2,901,434.61

(f) Borrower's most recent Accounts Receivable Aging Report, date as of 8/28/10 including all necessary and appropriate documentation required to interpret the Report and to complete this Borrowing Base Certificate, is attached hereto and made a part hereof. All Accounts included on such reports have been properly billed and collections have been properly posted to the respective Accounts to reduce Eligible Accounts accordingly. All proceeds of Accounts that have not been posted to the Accounts reported herein (including unbilled and/or estimated Accounts) have been disclosed to Lender on line 23 herein.

(g) As of the date hereof, Borrower has paid all State and Federal payroll withholding taxes immediately due and payable through 08/20/10.

(h) As of the date hereof, Borrower certifies that its census is as follows:

	Cortland	Troy	Hilltop	Rosewood	Total
Total Beds in service	200	120	112	80	512
Total Beds available	200	120	112	80	512
Total Beds occupied	197	105	105	78	485
Occupancy %	98.5%	87.5%	93.8%	97.5%	94.7%
Total occupied beds, prior BBC	195	101	103	78	477
Occupancy % prior BBC	97.5%	84.2%	92.0%	97.5%	93.2%
Change in occupancy rates (beds)	2	4	2	0	8
Change in occupancy rates (%)	1.0%	3.3%	1.8%	0.0%	1.6%

(i) Borrower acknowledges that the Event(s) of Default identified in Lender's February 17, 2006, March 9, 2006 and October 4, 2006 letters still exist and remain uncured, and that, by making an advance pursuant to this Borrowing Base Certificate, Lender does not waive these or any other existing Event(s) of Default, and reserves all of its rights and remedies under the Loan Agreement, or otherwise. Borrower acknowledges that after this advance, \$2,901,434.61 plus costs and fees is justly due and owing to Lender without setoff, defense or counterclaim. By accepting an advance from Lender, Borrower agrees to waive and release Lender from all claims, demands, causes of action (whether known or unknown) based in whole or in part on acts or omissions of Lender relating to the Loan Agreement.

By:

Gerald Silberin
GEN 10/14/2010
Accountant

Name:

Title: